

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7087

BILL NUMBER: SB 287

NOTE PREPARED: Jan 12, 2007

BILL AMENDED:

SUBJECT: Various property tax matters.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Appeals:* This bill adjusts the procedures for administrative and judicial appeal of a property tax assessment or exemption.

Sales Disclosure: The bill requires that a real property sales disclosure form include a closing statement or a statement from the mortgagor that states the sale price. It allows an assessor to accept a sales disclosure form only if the assessor verifies the accuracy and completeness of the form and it makes related changes.

Assessment Duties: This bill permits the county legislative body to: (1) transfer to the county assessor the property tax assessment duties of elected township assessors and township trustee-assessors; or (2) hold a referendum to determine whether to make the transfer. It also permits the county legislative body to: (1) transfer the duties back to the county assessor; or (2) hold a referendum to determine whether to transfer the duties back to the township assessor.

Appraiser Certification: The bill requires a candidate for county assessor, elected township assessor, or township trustee-assessor to be a certified level two assessor-appraiser. It provides that salary increases for assessors, deputies, and employees who obtain the certification apply if the certification was obtained before assuming office or becoming employed by the assessor. This bill also creates a level three Indiana assessor-appraiser certification to be administered by the Department of Local Government Finance (DLGF). It provides that a person who attains a level three certification is eligible for positions and for pay increases for which a level two is eligible.

Personal Property Returns: This bill requires the county assessor to review personal property returns that are currently reviewed by the DLGF.

Industrial Assessments: The bill allows a county assessor to petition the DLGF to assess an industrial facility.

Industrial Assessment Appeals: The bill provides that an appeal of an assessment of the real property of an industrial facility made by the DLGF is subject to appeal to the Indiana Board of Tax Review (IBTR), and establishes requirements for the findings of the IBTR.

Ratio Studies: This bill requires the DLGF to conduct all ratio studies required for equalization and annual adjustments.

Tax Rates: The bill provides for annual adjustment of maximum property tax rates to account for the change in assessed value of real property that results from an annual adjustment of the assessed value of real property.

Budget and Debt Reporting Deadlines: This bill requires most political subdivisions to adopt a budget by September 30. It also requires political subdivisions to submit financing data to the department by December 31.

Disaster Reassessment: The bill requires the county assessor instead of the DLGF to order the reassessment of property destroyed in a disaster.

Exemption Filing: This bill sets May 15 as the deadline to apply for a property tax exemption.

Effective Date: Upon passage; January 1, 2007 (retroactive); July 1, 2007; January 1, 2008.

Explanation of State Expenditures: *Appraiser Certification:* The DLGF would be required to implement a level 3 assessor-apraiser certification program. This provision could result in the need for additional resources.

Personal Property Returns: Under this provision, the DLGF would no longer be required to perform reviews of personal property returns. Fewer resources would be needed for personal property functions. These resources could be redirected to other DLGF functions.

Industrial Assessments: Under current law, a petition to assess an industrial facility may be filed with the DLGF (1) by at least 250 real property owners if filed before January 1 of year in which a general reassessment begins; or (2) at any time by the industrial taxpayer. This bill would also permit the county assessor to petition the DLGF to assess the property before January 1 of each year. This provision could result in the need for additional resources if the number of assessments is increased.

Ratio Studies: Under this bill, the DLGF would be required to conduct all ratio studies required for equalization and annual adjustments. The DLGF would also be able to eliminate the authority of other entities to conduct ratio studies.

Explanation of State Revenues:

Explanation of Local Expenditures: *Appeals:* The bill would make several changes in the process to appeal an assessment or exemption action. Among them are changes to informal hearings, county property tax assessment board of appeals (PTABOA) hearings, notice requirements, and hearing deadlines.

Under current law, taxpayers are required to first participate in an informal hearing with the township assessor before they may proceed with a formal appeal. Under this proposal, a taxpayer has the option of asking for an informal hearing. If the taxpayer asks for an informal hearing then the assessor must meet with the taxpayer.

Currently, if there are no unresolved issues after the preliminary conference, then the assessment is changed and the PTABOA is notified, but no hearing takes place in front of the PTABOA. The PTABOA has the right to change the assessment. Under this bill every appeal would result in a hearing before the PTABOA, even if there is agreement between the assessor and taxpayer. The PTABOA may accept or reject the agreement, in whole or in part. This provision could result in an increase in PTABOA hearings.

The PTABOA currently has 90 days in most counties and 180 days in larger counties to conduct a hearing once the petition for appeal has been filed. This proposal would change the time limit to 180 days for all counties.

Sales Disclosure: Under current law, sales disclosure forms are filed with the county auditor and then forwarded to the county assessor. This bill would require the county assessor to (1) verify the completeness and accuracy of the form and (2) reject those forms that are not accurate and complete. Rejected forms may be revised and refiled.

Assessing officials use information currently contained in the sales disclosure form to compute assessments and annual adjustments. Only forms with accurate and complete information are of use. Better sales information will produce more accurate property assessments. Some counties already have an unofficial arrangement between the assessor and auditor for the assessor to check the form before the auditor accepts it. For other counties, additional resources might be necessary to check the forms as they are filed.

The bill would also require a copy of the closing statement or a statement from the mortgagor regarding price (if no closing statement) to be attached to the form.

Assessment Duties: Under this proposal, the county council would be permitted, by ordinance, to transfer the assessment duties of elected township assessors and township trustee-assessors to the county. The transfer of elected township assessor duties would not take place until the township assessor's term has expired. The council would also be permitted to hold a countywide referendum to determine whether to transfer the assessment duties. The duties may also be transferred back to the townships by council ordinance. If a transfer is made then the county and township maximum levies would be adjusted to reflect the change.

Appraiser Certification: Under this proposal, a candidate for county assessor, township assessor, or township trustee-assessor would have to be certified as a level 2 assessor-appraiser in order to run in an election after June 30, 2008.

Under current law, county and township assessors must attain a level 1 certification within one year and a level 2 certification within two years of taking office. County or elected township assessors who fail to get their certifications must forfeit the part of their salary that relates to real property assessment.

Personal Property Returns: Under current law, the township assessor, or their contractor, is required to examine and verify the accuracy of each personal property return and, if appropriate, compare the return the taxpayer's books. Township assessors must forward copies of all personal property tax returns with AV exceeding \$150,000 to the county assessor. The county assessor must forward these returns to the DLGF.

The DLGF is required to review all returns with an AV of \$15,000 or more to determine if any assessments are improper.

Under this provision, county assessors would no longer forward returns to the DLGF and the DLGF would not be required to perform any reviews. This bill would require the county assessor to audit the returns over \$150,000 AV to determine if any assessments are improper. This provision could result in increased expenses for county assessors.

Explanation of Local Revenues: *Tax Rates:* There are several types of property tax levies that are based on a maximum tax rate (i.e. cumulative building funds, etc.) These maximum tax rates are adjusted under current law each time there is a general reassessment to adjust for the AV increase so that the levy does not increase by more than the natural AV growth. Under this bill, beginning with taxes payable in CY 2007, these rates would be adjusted every year to account for the AV increase due to annual adjustments (trending). The resulting tax levies in 2007, therefore, would be the same as the 2006 levies, but with a slight growth amount.

Budget and Debt Reporting Deadlines: Under current law, taxing units must supply information regarding bond issues and leases to the DLGF within 20 days of the bond issue or lease execution. Under this bill, taxing units would have until December 31 of a year to forward that information to the DLGF.

This bill also extends by 10 days the deadline for budgets for most taxing units. The deadline would change from September 20th to September 30th.

The deadline provisions should have no fiscal impact.

Disaster Reassessment: Under current law, a taxpayer may petition the DLGF to order a reassessment of destroyed property if a substantial amount of real and personal property is destroyed during a disaster. Under this proposal, the taxpayers would petition the county assessor directly instead of the DLGF. This provision should have no fiscal impact.

Exemption Filing: Exemption applications must currently be filed before May 15 of an assessment year. Under this provision, the applications would have to be filed on or before May 15. This provision would clarify the due date by adding one additional day to the deadline.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review; Indiana Attorney General; Indiana Tax Court.

Local Agencies Affected: County assessors; County auditors; County councils; County property tax assessment boards of appeal; Elected township assessors; Township trustee-assessors.

Information Sources:

Fiscal Analyst: Bob Sigalow, 317-232-9859.